

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

---

In re Patent Application of:  
David R. Fitzpatrick et al.

Application No.: 10/632,149

Confirmation No.: 1871

Filed: July 30, 2003

Art Unit: 3694

For: METHOD AND SYSTEM FOR PROVIDING  
RULE-BASED COLLATERAL ALLOCATION  
AND SUBSTITUTION

---

Examiner: Marissa Liu

**APPEAL BRIEF**

MS Appeal Brief - Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Dear Madam:

As required under 37 C.F.R. § 41.37(e), this Appeal Brief is filed with a Petition for Extension of time of five (5) months beyond the two month period after filing the Notice of Appeal, which was filed in this case on June 30, 2008, and is in furtherance of said Notice of Appeal.

The fees required under § 41.20(b)(2) are paid concurrently herewith.

This brief contains items under the following headings as required by 37 C.F.R. § 41.37 and M.P.E.P. § 1205.2:

- |            |   |
|------------|---|
| I.         | Real Party In Interest                        |
| II         | Related Appeals and Interferences             |
| III.       | Status of Claims                              |
| IV.        | Status of Amendments                          |
| V.         | Summary of Claimed Subject Matter             |
| VI.        | Grounds of Rejection to be Reviewed on Appeal |
| VII.       | Argument                                      |
| VIII.      | Claims  |
| Appendix A | Claims  |
| Appendix B | Evidence                                      |
| Appendix C | Related Proceedings                           |

I. REAL PARTY IN INTEREST

The real party in interest for this appeal is:

ICAP North America, Inc.

II. RELATED APPEALS AND INTERFERENCES

There are no other appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in this appeal.

III. STATUS OF CLAIMS

A. Total Number of Claims in Application

There are 9 claims pending in application.

B. Current Status of Claims

1. Claims canceled: none.
2. Claims withdrawn from consideration but not canceled: none.
3. Claims pending: 1-9
4. Claims allowed: none.
5. Claims rejected: 1-9

C. Claims On Appeal

The claims on appeal are claims 1-9

IV. STATUS OF AMENDMENTS

Claims 1-9 were filed in a Reply on October 17, 2007. A Final Office Action rejecting claims 1-9 was mailed December 28, 2007.

Appellants filed an After Final Request for Reconsideration to the Final Rejection on March 27, 2008. At that time no amendments were made to the claims. The Examiner responded to the Response in an Advisory Action mailed April 9, 2008.

Therefore, the claims enclosed herein as Appendix A reflect the status of claims 1-9 that were filed on October 17, 2007.

#### V. SUMMARY OF CLAIMED SUBJECT MATTER

Please note that although specification citations and drawing reference numbers (within parentheses) are given in accordance with 37 C.F.R. § 41.37(c), these reference characters and citations are merely examples of where support for various terms may be found in the specification. The citations and reference numbers provided here may not be the only places in the specification and drawings in which support for the various terms may be found, and are not intended to limit the terms to the examples given. The citations and reference numbers are not intended as claim limitations, and should not be used in any way to limit the scope of the claims.

The present invention describes a system for managing collateral allocation and substitution in general collateral repurchase agreements, more commonly referred to as a “repo agreement.” In such repo agreements, a first party to the agreement, a buyer, agrees to buy a nominal amount of collateral for a pre-defined period of time. In return, a second party, the seller of the collateral, receives an initial consideration that is equal to the market value of the collateral. In addition, at the agreed upon end of the predetermined period, the seller agrees to repurchase the collateral from the buyer, and provides the buyer with an end consideration, which is equal to the initial consideration plus interest accrued over the predetermined period, at a negotiated rate. *See*, specification at p. 1, ll. 8-15. “Typically, the seller is also permitted to substitute [the] initially allocated securities [use as the collateral] with other securities during the agreement period.” *Id.* at p. 1, ll. 22-23. “In the past, collateral allocations and substitutions have been arbitrarily controlled by the intermediary conducting the trade. For example, the intermediary was free to arbitrarily select the order of allocations and substitutions amongst buyers in a multi-party transaction. This often resulted in the collateral of particular buyers being substituted in a disproportionately high number of cases while the collateral allocations of other buyers were preserved.” *Id.* at p. 2, ll. 8-13.

To overcome this problem, the present invention provides a system and method for managing collateral allocation and substitution for general collateral repurchase agreements. *Id.* at p. 2, ll. 16-20. In a preferred, exemplary embodiment, when a seller

wishes to substitute collateral during the term of the agreement, and there is more than one buyer that can supply the specified collateral, buyers supply collateral according to the order of their time stamps of entry into the repo agreement. *See id.* at Fig. 3D.

A. Claim 1

1. A system (100) for managing collateral allocation and substitution in general collateral repurchase agreements, comprising (Figs. 1-3):

a plurality of trader terminals (102);

an intermediary computer system (100) adapted to:

communicate with each trader terminal (102) via one or more communication links (p. 4, ll. 11-15; Fig. 1, 104, 106, 108);

facilitate agreements between buyers and sellers for sale of collateral (p. 4, ll. 28-32; Fig. 3A, 302, 304);

receive allocation instructions for an agreement from a seller trading terminal (p. 5, ll. 7-20; Fig. 3A, 306, 308, 310);

store information regarding collateral that has been allocated and mark said collateral as allocated (p. 5, ll. 21-29; Fig. 3A, 312);

receive substitution instructions from a seller trading terminal to substitute allocated collateral (p. 6, l. 9 to p. 7, l. 14; Fig. 3C, 322), wherein:

if there is one buyer who is allocated the exact amount of collateral that the seller wishes to substitute, that buyer is substituted (p. 7, ll. 17-19; Fig. 3D, 338, 340);

otherwise, if there is one buyer who is allocated a higher amount of the collateral that the seller wishes to substitute, and that amount is sufficient for substitution, that one buyer is substituted (p. 7, ll. 19-22; Fig. 3D, 342, 344); and

otherwise, buyers have their collateral substituted on the basis of a priority determination (p. 7, ll. 23-26; Fig. 3D, 346, 348).

B. Claim 7

7. A method for managing collateral allocation and substitution in general collateral repurchase agreements (Figs. 3A-3D), comprising:

receiving allocation instructions for an agreement from a seller trading terminal (p. 5, ll. 7-20; Fig. 3A, 306, 308, 310);

storing information regarding collateral that has been allocated and marking said collateral as allocated (p. 5, ll. 21-29; Fig. 3A, 312);

receiving substitution instructions from a seller trading terminal to substitute allocated collateral (p. 6, l. 9 to p. 7, l. 14; Fig. 3C, 322), wherein

when there is one buyer who is allocated the exact amount of collateral that the seller wishes to substitute, that buyer is substituted (p. 7, ll. 17-19; Fig. 3D, 338, 340);

when there is no one buyer who is allocated the exact amount of the collateral that the seller wishes to substitute but there is one buyer who is allocated a higher amount of the collateral that the seller wishes to substitute, and that amount is sufficient for the substitution, that one buyer is substituted (p. 7, ll. 19-22; Fig. 3D, 342, 344); and

when there is no one buyer who is allocated the exact amount of the collateral that the seller wishes to substitute, there is no one buyer who is allocated a higher amount of the collateral that the seller wishes to substitute, buyers have their collateral substituted on the basis of a priority determination (p. 7, ll. 23-26; Fig. 3D, 346, 348).

## VI. GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL

Claims 1-9 are pending in this application. Claims 1-9 stand rejected under 35 U.S.C. § 102(a) as being anticipated by U.S. Patent Application Publication No. 2001/0037284 A1 to Finkelstein *et al.* (Finkelstein).

## VII. ARGUMENT

All of the rejections of the claims of the present application are recited in the Final Office Action dated December 28, 2007, based on Finkelstein. Appellants respectfully

submit that these rejections are deficient and that each of the pending claims is in immediate condition for allowance.<sup>1</sup>

Under 35 U.S.C. § 102, a claim is anticipated, and therefore invalid, when a single prior art reference discloses *each and every* element of the claimed invention, either expressly or inherently. *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1375 (Fed. Cir. 2006); *Minton v. Nat'l Ass'n of Sec. Dealers, Inc.*, 336 F.3d 1373, 1376 (Fed. Cir. 2003). If the reference fails to suggest *even one limitation* of the claimed invention, then the claim is not anticipated. *Atlas Powder Co. v. E.I. Du Pont de Nemours & Co.*, 750 F.2d 1569, 1574 (Fed. Cir. 1984). In the present case, Finkelstein fails to disclose all of the elements of each of the independent claims.

Among the limitations of independent claim 1 that are neither disclosed nor suggested by the prior art of record are specific requirements for substituting collateral, more specifically:

receiving substitution instructions from a seller trading terminal to substitute allocated collateral, wherein

if there is one buyer who is allocated the exact amount of collateral that the seller wishes to substitute, that buyer is substituted;

otherwise, if there is one buyer who is allocated a higher amount of the collateral that the seller wishes to substitute, and that amount is sufficient for substitution, that one buyer is substituted; and

otherwise, buyers have their collateral substituted on the basis of a priority determination.

Independent claim 7 comprises similar limitations. Appellants respectfully submit that Finkelstein fails to disclose these limitations.

Finkelstein discloses a negotiated right to trade repo agreements. As taught by Finkelstein, a user can select a repo agreement from a list of agreement opportunities, and

---

<sup>1</sup> Claims 1-9 are presently on appeal. Appellant presents arguments with respect to independent claims 1 and 7. As each of the dependant claims stand or fall together with the independent claim from which they depend, the dependent claims are not argued separately.

then may directly communicate with the potential counterparty to the selected agreement. Finkelstein, Abstract. In Background paragraph [0021], Finkelstein describes prior art crossing networks. In the system described in the sections beyond the Background of Finkelstein, a user can specify information about the proposed agreement, including a right of substitution (ROS) for a repo agreement, which is a common feature of such agreements. Finkelstein, paragraph [0074]; claim 14. Finkelstein teaches communicating a record that specifies the terms of the repo agreement, including the ROS, between at least two terminals. *See* Finkelstein, claims 15 and 18.

However, Finkelstein does not teach or suggest a system or method for *performing* the substitution of collateral, as may be required by the repo agreement traded. Further, Finkelstein does not teach or suggest “receiving substitution instructions from a seller trading terminal to substitute allocated collateral” as required by independent claims 1 and 7. In other words, Finkelstein’s teaching that merely indicating that a repo agreement traded on its system has a ROS does not teach the performance of such a right. There is a significant distinction between specifying that an agreement comprises a ROS, which is merely a contractual term or feature of the agreement traded, and actually receiving instructions to substitute collateral, which is an act performed subsequent to the successful trade, acceptance and execution of a repo agreement.

Thus, Finkelstein’s teachings are limited to negotiation and execution of a repo agreement, and Finkelstein does not address how ROS are treated after the repo agreement is executed. Therefore, Finkelstein cannot teach or suggest the limitations of independent claim 1 and 7 identified above.

The Advisory Action argues that paragraphs [0073]-[0074] of Finkelstein teaches “collateral substitution.” Appellants respectfully disagree with the implication that the limitations recited in independent claims 1 and 7 merely require substitution of collateral, which is a well-known feature of repo agreements traded in the marketplace, as discussed in the background of Appellants’ specification. The express language of Appellants’ claims clearly recite limitations that govern the manner in which collateral is substituted, as shown above. The recited claim limitations are neither disclosed nor suggested in the art of record

(Finkelstein). In the absence of any disclosure or suggestion of these features of the invention, independent claims 1 and 7 are believed to be in condition for allowance.

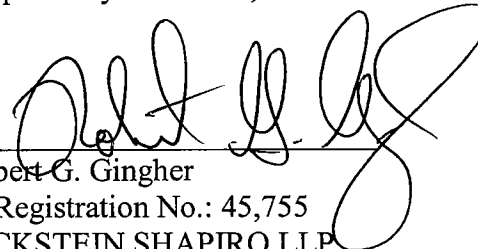
Claims 2-6 and 8-9 depend from independent claims 1 and 7 respectively, and incorporate by reference all the limitations found therein. Claims 2-6 and 8-9 are allowable for the same reasons expressed above in connection with the claims from which they depend. Claims 2-6 and 8-9 comprise additional limitations which, in combination with the limitations incorporated by reference, are neither disclosed nor suggested in Finkelstein, and thus should be allowable for this additional reason.

#### VIII. CLAIMS

A copy of the claims involved in the present appeal is attached hereto as Appendix A.

Dated: January 26, 2009

Respectfully submitted,

By   
Robert G. Gingher

Registration No.: 45,755  
DICKSTEIN SHAPIRO LLP  
1177 Avenue of the Americas  
New York, New York 10036-2714  
(212) 277-6500  
Attorneys for Appellants



**APPENDIX A – CLAIMS INVOLVED**  
**IN THE APPEAL OF APPLICATION SERIAL NO. 10/632,149**

1. (Original) A system for managing collateral allocation and substitution in general collateral repurchase agreements, comprising:

a plurality of trader terminals;

an intermediary computer system adapted to:

communicate with each trader terminal via one or more communication links;

facilitate agreements between buyers and sellers for sale of collateral;

receive allocation instructions for an agreement from a seller trading terminal;

store information regarding collateral that has been allocated and mark said collateral as allocated;

receive substitution instructions from a seller trading terminal to substitute allocated collateral, wherein:

if there is one buyer who is allocated the exact amount of collateral that the seller wishes to substitute, that buyer is substituted;

otherwise, if there is one buyer who is allocated a higher amount of the collateral that the seller wishes to substitute, and that amount is sufficient for substitution, that one buyer is substituted; and

otherwise, buyers have their collateral substituted on the basis of a priority determination.

2. (Original) The system of claim 1, wherein only buyers with allocated collateral having equal rights of substitution to collateral allocated by the seller are eligible for the substitution.

3. (Original) The system of claim 1, wherein the priority determination is a time priority determination.

4. (Original) The system of claim 1, wherein at least one of the communication links is established via a virtual private network.

5. (Original) The system of claim 1, wherein at least one of the communication links is established via a private line.

6. (Original) The system of claim 1, wherein at least one of the communication links is established via the Internet.

7. (Previously presented) A method for managing collateral allocation and substitution in general collateral repurchase agreements, comprising:

receiving allocation instructions for an agreement from a seller trading terminal;

storing information regarding collateral that has been allocated and marking said collateral as allocated;

receiving substitution instructions from a seller trading terminal to substitute allocated collateral, wherein

when there is one buyer who is allocated the exact amount of collateral that the seller wishes to substitute, that buyer is substituted;

when there is no one buyer who is allocated the exact amount of the collateral that the seller wishes to substitute but there is one buyer who is allocated a higher amount of the collateral that the seller wishes to substitute, and that amount is sufficient for the substitution, that one buyer is substituted; and

when there is no one buyer who is allocated the exact amount of the collateral that the seller wishes to substitute, there is no one buyer who is allocated a higher amount of the collateral that the seller wishes to substitute, buyers have their collateral substituted on the basis of a priority determination.

8. (Previously presented) The method of claim 7, wherein only buyers with allocated collateral having equal rights of substitution to collateral allocated by the seller are

eligible for the substitution.

9. (Previously presented) The method of claim 7, wherein the priority determination is a time priority determination.

**APPENDIX B - EVIDENCE**

No evidence pursuant to §§ 1.130, 1.131, or 1.132 or entered by or relied upon by the examiner is being submitted.

**APPENDIX C – RELATED PROCEEDINGS**

No related proceedings are referenced in II. above, hence copies of decisions in related proceedings are not provided.